

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
NASHUA PHOTO INC., DISTRICT PHOTO INC., MYSTIC COLOR LAB, AND
SEATTLE FILMWORKS, INC. WITNESS HALDI
(USPS/NDMS-T-2-15-31)

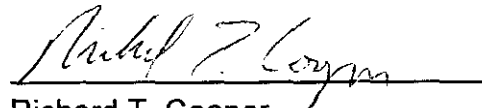
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc. witness Haldi:
USPS/NDMS-T-2-15-31.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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January 28, 1998

USPS/NDMS—T-2—15. Please refer to your testimony at page 18, footnote 20, where you state that the “Commission subsequently recommended rates that imposed widely varying percentage increases between rate cells.” Please provide the threshold of rate differences beyond which percentage increases in rates are to be considered “widely varying.”

USPS/NDMS—T-2—16. Please refer to page 20, line 23, where you indicate that problems exist “when changes in individual rate cells vary widely.” Please provide the threshold of rate differences beyond which changes are to be considered to “vary widely.”

USPS/NDMS—T-2—17. Please refer to your testimony at page 22, line 1, where you refer to the Commission’s rates as increasing “considerably more” than the rates proposed by the Postal Service in Docket No. R94-1. Please provide the threshold of difference in rate increase beyond which such changes are to be considered “considerably more.”

USPS/NDMS—T-2—18. Please refer to your testimony at page 22, line 3, where you refer to “significantly” higher rates proposed by the Commission than proposed by the Postal Service. Please provide the threshold of difference in rate increase beyond which such changes are to be considered to be “significantly” higher.

USPS/NDMS—T-2—19. Please refer to your testimony at page 22, line 21, where you refer to growth rates that “were strikingly different.” Please provide the threshold of difference in growth rates beyond which such differences in growth are to be considered “strikingly” different.

USPS/NDMS—T-2—20. Please refer to your testimony at page 38, line 8, where you refer to “extremely wide averaging across all eight zones.” Please provide the threshold beyond which you would consider averaging to be “extremely wide.”

USPS/NDMS—T-2—21. Please refer to your testimony at page 22, lines 10 through 12, where you ask: “Does elasticity apply to individual rate cells? That is, will higher-than-average rate increases in certain cells cause a higher-than-average reduction in volume in these cells?”

- a. Please confirm that the elasticity to which you refer is the own-price elasticity. If you do not confirm, please explain fully.
- b. Please provide any and all analyses performed by you to develop own-price elasticity estimates for each rate cell.
- c. Please provide any and all analyses performed by you to develop cross-price elasticity estimates for each rate cell.

USPS/NDMS-T-2—22. Please refer to your testimony at page 22, lines 20 and 21, through page 23, line 3.

- a. Please provide any and all analyses performed by you of the total market for services similar to those provided by Priority Mail, specifically noting the growth rates for the segment of the market serving items weighing more than five pounds and for the segment of the market serving items weighing less than five pounds.
- b. If you are unable to provide information responsive to part a, please explain how you may confidently associate the difference in growth rates you have observed between the Priority Mail volume over five pounds and the volume under five pounds to be tied to the rate changes resulting from Docket No. R94-1.
- c. Have you performed any historical review to determine the growth rates of Priority Mail volume above and below five pounds separately? If so, please provide the results of such analysis.

USPS/NDMS-T-2—23. Please refer to your testimony at page 26, note 27.

- a. If your proposal increases the proportion of heavy weight Priority Mail pieces and, therefore, the proportion of parcel shape and outside items, will this change in mail mix alter Priority Mail costs? Please explain fully.
- b. If your response to part a. was in the affirmative, did you make any attempt to adjust Priority Mail costs to reflect this changed mail mix? If so, please include in your response a detailed discussion as to how you adjusted the cost separately for Priority Mail originating and destinating outside the PMPC network, originating outside the PMPC network and destinating inside the PMPC network, originating inside the PMPC network and destinating outside the PMPC network, and originating and destinating inside the PMPC network. Please show your calculations separately for each mailflow. Include in your response how you treated the PMPC costs elements provided in response to UPS/USPS-T33-45. If you did not make such adjustments, please explain fully why not.

USPS/NDMS-T-2—24. Please refer to your testimony at page 22, lines 15 through 17, where you state that the current rates “are heavily weighted **against** heavier-weight zoned parcels, most especially in Zone L, 1,2&3, Zone 4, and Zone 5.” [Emphasis original.] Please also refer to your testimony at page 19 where you note that the Postal Service’s proposed rates demonstrate that “invariably **the highest percentage increases are reserved for weights above 20 pounds shipped to Zones 6, 7 and 8.**” [Emphasis original.] Please confirm that the zones which you indicate have been most “heavily” targeted for increases by the Postal Service in this docket are not the zones most “heavily” targeted by the Commission’s rate design in Docket No. R94-1. If

you cannot confirm, please explain fully.

USPS/NDMS-T-2—25. Please refer to your testimony at page 23, line 6, where you state that the data presented by you in Table 2 "indicate that rates affect shippers' selection of services from the Postal Service."

- a. Please provide any and all analyses that you have performed of the relative rate changes experienced by shippers sending items weighing less than and more than five pounds via services other than the Postal Service.
- b. If you are unable to provide information in response to part a, please explain how you were able to determine that rate changes by competitors of the Postal Service did not influence the growth rate differences you have observed.

USPS/NDMS-T-2—26. Please refer to your footnote 25 on page 25 where you state: "No basis exists for estimating different elasticities for individual cells, nor is it necessary to do so in order to utilize the alternative procedure proposed here."

- a. Please confirm your understanding that the own-price elasticity estimated by Dr. Musgrave for Priority Mail is based on average changes in rates and volumes. If you cannot confirm, please explain fully.
- b. Please confirm that such an estimate may not hold for any particular rate and volume change in any particular cell. If you cannot confirm, please explain fully.
- c. Please confirm that the use of the estimate developed as an aggregate figure in the method you are proposing, in effect, treats that estimate as if it holds for individual cells. If you cannot confirm, please explain fully.
- d. Please confirm that the use of the estimate developed as an aggregate figure in the method you are proposing assumes, in effect, that volume in each cell is totally unaffected by rate changes in any other cell. If you cannot confirm, please explain fully.

USPS/NDMS-T-2—27. Please refer to your footnote 27 on page 26 where you indicate that "it is a straightforward exercise to compute revised costs by multiplying TYAR volumes in each cell by the cost in each cell." Please confirm that such an exercise assumes that the costs are fully (100%) volume variable. If you cannot confirm, please explain how you have taken into account the changes in unit costs which would result as volume changes.

USPS/NDMS-T-2—28. Please refer to your testimony at page 36, lines 6 through

10, where you discuss the alleged failure of the Postal Service's rate design to recognize dropshipment. Please provide your estimate of the percent of Priority Mail weighing more than five pounds that is dropshipment Priority Mail, and indicate the source of your figure.

USPS/NDMS-T-2—29. Please refer to your testimony at page 36, lines 15 through 17, where you state the alleged failure to recognize worksharing in Priority Mail rates is "another reason why heavier weight Priority Mail rates should be kept more competitive with other providers of expedited delivery service."

- a. Please provide charts indicating the rates actually paid by shippers of "heavier weight" items via competitors' services comparable to Priority Mail.
- b. Can such competitors' services be used for dropshipment?

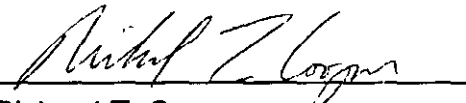
USPS/NDMS-T-2—30. Please refer to your testimony at page 37, lines 10 through 13, where you state that "whatever is good for Periodicals and Standard A should be good for Priority Mail – and vice versa."

- a. Please indicate your belief as to the similarity or dissimilarity of the markets for services for the three products listed above.
- b. Please reconcile this statement with your statement in your footnote 39 where you indicate that "Consolidation requires time and results in delay which is counter-productive for shippers who require expedited service."

USPS/NDMS-T-2—31. Please refer to your testimony at page 38 where you discuss the uniform increment for each additional pound in the unzoned rates. Please indicate your belief as to whether the success of the unzoned rates which you have observed is due to the fact that the difference between successive rates is the same amount, or the fact that the rates are at even dollar amounts. Explain fully.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


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